This article deals with the decision of India’s government to attempt to offer guaranteed employment to all workers. The policy had previously been implemented on a smaller scale in the Indian state of Maharashtra in the 70’s and 80’s with mixed results, and now the government wishes to extend the offer to the entire nation, guaranteeing minimum wage employment to anyone who wants to work. Ideally, the program would be something for poor workers to fall back on during hard times, rather than rely on it constantly. The low wage and hard work involved would help the plan target those in the most need, while discouraging workers who can support themselves from abusing it. In principle, the Indian government would like to achieve three goals: “an unconditional guarantee of employment, at the minimum wage, without busting the budget. In practice, it can achieve any two of those three.” Skeptics of the program believe the fiscal cost will be too great, pointing to the government’s already “disquieting budget deficit.”

Clearly, the Indian government faces a dilemma in choosing whether to attend to the unemployment problem or the government deficit. The textbook lists both reduction of unemployment and reduction of government deficits among the “five widely agreed challenges for macroeconomic policy” (p.101), so they are both certainly worthy causes. Due to scarcity of resources, the government faces a tradeoff between the goals of poverty-fighting and fiscal responsibility. While economics can help predict results of
the program, the decision to increase government spending to aid the unemployed is a normative one that deals with equity more than efficiency, so it is up to the policy-makers to decide what is best for the country.

Word Count: 314